GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:5681
ANSWERED ON:30.08.2001
INVESTMENT IN RUSSIAN OILFILEDS
VSM (RETD.) COL. CHOUDHARY

Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether attention of the Government has been drawn to the news-item regarding `The ONGC subsidiary`s whopping Rs.8136 crores investment in a Russian Oilfield was signed in indecent haste and procedures were bypassed despite doubts about its commercial soundness` appearing in the India Today dated June 11, 2001;

(b) if so, the facts of the matter reported therein;

(c) the manner in which the Committee of Secretaries cleared this proposal without inclusion of Ministry of Finance representatives;

(d) whether rules were bend to allow ONGC to fund the project ignoring its Rs.7500 crore modernization plan for Mumbai High;

(e) whether the Government are aware that US oil giant Texaco had refused to by stake in Sakhalin project during 1999; and

(f) if so, the circumstances, the Government compelled to inexplicably hike the premium on equity from Rs. 211 crores to Rs.1057 crores without the approval/consent of Ministry of Finance?

Answer

Minister of State in the Ministry of Petroleum & Natural Gas (Shri Santosh Kumar Gangwar)

(a) to (f): A Statement is annexed.

Statement referred to in reply to Lok Sabha Unstarred Question No.5681 for answer on 30.8.2001 regarding investment in Russian Oilfields

(a) : Yes, Sir.

(b),(c) & (d) For their investment in the Sakhalin-I Project, `OVL had obtained the advice of internationally reputed consultants, namely, J.P. Morgan, Investment Consultants, and Gaffney, Cline & Associates (GCA), Technical Consultants, who had advised that Sakhalin-I project was a high quality investment opportunity with attractive returns. This proposal was approved by the Government following all requisite inter-Ministerial deliberations.

Before making investment decision for the Sakhalin-I Project, ONGC had carried out an analysis of its fund position and expected cash inflows as also expenditure, including investments for Mumbai High redevelopment, and found that it could comfortably fund these projects, through internal and external means.

(e): Yes, Sir.

(f): The original indicative bid of OVL to Rosneft was based on a combination of two factors, viz.
(i) more conservative view of the project due to limited technical and economic information available to OVL at that time and
(ii) the old development profile based on geological data of 1999. Subsequently, the Operator made available the latest development plans for Sakhalin-I as also various technical, legal and economic information. The results of the new exploration well in 2000 also substantially improved economics of the project. Apart from this, there was also an unsolicited offer by an oil major, which necessitated protracted negotiations on the premium to be paid. Overall, the improved profitability of the project was brought into the negotiations and the premium was revised upwards.